

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 118(L&C)
(S) Publish Date: 4/2/08

Identifier (file name): **SB118-DOR-TAX-03-25-08** Dept. Affected: Revenue 04
Title: Plastic Bag Fee; Establish Litter Fund RDU: Taxation and Treasury
Sponsor: Senator Elton Component: Taxation and Treasury
Requester: (S) Labor and Commerce Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Personal Services	388.2	0.0	388.2	388.2	388.2	388.2	388.2
Travel	10.5	0.0	10.5	10.5	10.5	10.5	10.5
Contractual	167.3	0.0	27.3	27.3	27.3	27.3	27.3
Supplies	2.6	0.0	2.6	2.6	2.6	2.6	2.6
Equipment	10.5						
Land & Structures							
Grants & Claims							
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	579.1	0.0	428.6	428.6	428.6	428.6	428.6

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES ()	*	0.0	*	*	*	*	*
-------------------------------	---	------------	---	---	---	---	---

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	579.1	0.0	428.6	428.6	428.6	428.6	428.6
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	579.1	0.0	428.6	428.6	428.6	428.6	428.6

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	5.25	0.0	5.25	5.25	5.25	5.25	5.25
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared by: Dan Stickel, Economist Phone (907) 465-3279
Division: Tax Division Date/Time 3/25/08 12:00 AM
Approved by: Jerry Burnett Date 3/25/2008
Department of Revenue

FISCAL NOTE # 1

STATE OF ALASKA 2008 LEGISLATIVE SESSION

BILL NO. CSSB 118(L&C)

ANALYSIS CONTINUATION

Bill Language:

This bill will impose a fee of \$0.15 for each disposable plastic bag "given by a retail seller of goods or services to a consumer to carry away or protect goods purchased from, or serviced by, the retail seller." The fee would be itemized and listed as a line item on the sales receipt. For our analysis, we assume an effective date of July 1, 2008.

Revenues:

Revenues from this bill are indeterminate due to lack of reliable data upon which to estimate revenues. Assuming full compliance, revenues generated will depend on two factors: the number of taxable plastic bags provided to consumers and the extent to which retailers and consumers curtail their use of these bags as a result of this bill.

We do not have a precise estimate of the number of plastic bags used in Alaska that would be taxable under this bill. According to a 2003 Wall Street Journal article, the U.S. uses about 100 billion plastic shopping bags annually. Based on the 2003 Census Bureau population estimate of 290.8 million, this is equivalent to 344 plastic shopping bags per person, per year. This estimate is consistent with estimates of bag use in other nations. For example, Australia uses 350 bags per person, per year and Ireland used 333 bags per person, per year before imposing a plastic bag tax (after imposing the tax consumption fell 90%).

Assuming per person plastic shopping bag use in Alaska is similar to that of the U.S. (344 per person, per year), and using Alaska's 2007 U.S. Census Bureau population estimate of 683,478, Alaska may consume about 235 million plastic shopping bags annually. If there were no changes in behavior (a very unlikely possibility), the plastic bag fee could generate as much as \$35 million per year.

With a fee of \$0.15 per bag, consumers will have a strong incentive to change their behavior, and we anticipate significant changes in behavior that will reduce use of taxable plastic shopping bags. Behavioral changes could include single-bagging instead of double-bagging, increased use of paper bags, utilizing reusable bags, or choosing not to use bags at all. Evidence from other countries that have implemented plastic bag fees suggests that the elasticity of demand for plastic bags is quite high. For instance, after Ireland implemented a nationwide 0.15 Euro per bag (about \$0.22 US) tax in 2002, usage fell by about 90%. If Alaska's use of plastic shopping bags fell by a similar 90%, consumption might be only 23.5 million bags per year, resulting in \$3.5 million in annual revenue.

Expenditures:

This bill would create a new tax type to be administered by the Department of Revenue. According to the 2002 Economic Census, there are 2,661 retail trade establishments in the state, 1,083 full- and limited-service restaurants and eating places and 60 dry cleaning or laundry establishments. We anticipate that some of these establishments will not offer plastic bags and therefore will not collect and remit the plastic bag fee. If there are 3,000 taxpayers submitting returns, this would amount to 12,000 quarterly tax returns. This would potentially be the second-largest tax type in Alaska in terms of the number of returns filed (behind the corporate income tax). After a period of time, it is possible that some establishments will stop offering plastic bags entirely, reducing the number of taxpayers and quarterly returns.

We anticipate that one-time costs to implement this bill will be \$140,000. This includes \$110,000 for tax database programming and online filing start-up costs, \$20,000 for enhancements to our tax examination system, and \$10,000 for a taxpayer education and public outreach program.

Ongoing costs for data entry, examination and audit will be \$428,600 annually. This bill will require five and one-quarter new positions within the Department of Revenue, as follows: two Tax Tech III's (range 14) and one Administrative Clerk II (range 10) for data entry, examination and compliance; one Tax Auditor III (Range 20) to oversee audits of the new tax type; one Accounting Technician II (range 14) to account for and process payments, collections and refunds; and one-quarter of an Analyst Programmer II (range 16) position for ongoing database maintenance, technical support and reporting assistance.